

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

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TO SECSTATE WASHDC 3622

INFO TREASURY WASHDC

C O N F I D E N T I A L MEXICO 11960

E.O. 11652 N/A

TAGS: EFIN, MX

SUBJECT: PUBLIC SECTOR DEBT

REF: A) MEXICO 2385, B) 76 MEXICO 15938

1. SUMMARY: GOM TREASURY SENT REPORT TO MEXICAN CONGRESS STATING THAT EXTERNAL PUBLIC SECTOR DEBT OUTSTANDING ROSE \$641.4 MILLION IN THE FIRST QUARTER OF 1977. INTERNAL DEBT OF THE FEDERAL GOVERNMENT ROSE 4.7 BILLION PESOS TO 248,030.8 MILLION PESOS. END SUMMARY.

2. COMPLYING WITH LAW ON PUBLIC DEBT, WHICH WAS ONE OF LOPEZ-PORTILLO'S EARLY PIECES OF LEGISLATION, MEXICAN TREASURY SENT CONGRESS A REPORT ON DEBT DEVELOPMENTS IN THE FIRST QUARTER. REGARDING INTERNAL DEBT, ONLY FIGURES FOR DIRECT AND ASSUMED DEBT OF THE FEDERAL GOVERNMENT WERE RELEASED AS FOLLOWS: (IN MILLIONS OF PESOS)

B. ORGANISMS AND 7,550.5 7,588.9

PARASTATAL COMPANIES

SUBJECT TO BUDGET

1. MORE THAN ONE YEAR 6,893.7 6,835.9

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MATURITY -.. "

2. LESS THAN ONE YEAR 656.8 753.0

MATURITY

C. OTHER PUBLIC ENTITIES 9,185.9 9,600.0

1. MORE THAN ONE YEAR

MATURITY 6,165.9 6,400.8

A. FINANCIAL INTER-		
MEDIARIES	3,606.8	3,675.2
B. NON-FINANCIAL	2,559.1	2,725.6
2. LESS THAN ONE YEAR		
MATURITY	3,020.0	3,199.2
A. FINANCIAL INTER-		
MEDIARIES	2,960.7	3,135.0
B. NON-FINANCIAL	59.1	64.2

4. TEXT DOES NOT SAY MUCH ABOUT INTERNAL DEBT, NOR DOES IT PROVIDE INFORMATION ON SOURCES AND USES OF THESE FUNDS.

5. REGARDING EXTERNAL DEBT, REPORT STATES THAT RATE OF INCREASE IS DECLINING. IT ALSO STATES THAT PUBLIC SECTOR HAS FAITHFULLY COMPLIED WITH ITS FINANCIAL OBLIGATIONS AND WILL CONTINUE TO DO SO. THE REPORT REMARKS THAT WHILE FOREIGN BANKS WERE NERVOUS FOLLOWING THE DEVALUATION, THEIR ATTITUDES CHANGED THANKS TO THE GOM'S EFFORTS TO REDUCE INFLATIONARY PRESSURES, AND THE DEFICITS IN THE BUDGET AND BALANCE OF PAYMENTS. THE REPORT DOES NOTE THAT THE DEBT SERVICING BURDEN HIT A CRITICAL POINT IN FEBRUARY AND MARCH. THIS IS PROBABLY A REFERENCE TO THE MATURING OF SIX MONTH CREDITS THAT WERE DRAWN DOWN IN AUGUST, 1977. REPORT ALSO NOTES THAT THE PUBLIC SECTOR HAS BEEN ABLE TO MAINTAIN SATISFACTORY INTEREST RATE DIFFERENTIALS IN ITS FOREIGN

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BORROWING.

6. COMMENT: EXTERNAL PUBLIC SECTOR SHORT TERM DEBT INCREASED \$275.5 MILLION IN THE FIRST QUARTER TO 3,952.2. MEDIUM AND LONG-TERM EXTERNAL DEBT INCREASED \$365.9 MILLION TO \$16,289.4. FIRST QUARTER BALANCE OF PAYMENTS DATA SHOW NET INFLOWS FROM MEDIUM AND LONG-TERM PUBLIC SECTOR BORROWING AT \$333.3 MILLION (SEE MEXICO 9385) DEDUCTING NET INFLOWS FROM SHORT-TERM BORROWING FROM THE PLUS \$60.6 MILLION ERRORS AND OMISSIONS FIGURE, ONE IS LEFT WITH A NEGATIVE ERRORS AND OMISSIONS FIGURE OF \$215 MILLION. THIS FIGURE IS GENERALLY TAKEN AS A PROXY FOR PRIVATE CAPITAL MOVEMENTS. IT THUS APPEARS LIKELY THE NET CAPITAL TRANSFERS ABROAD CONTINUED, CONTRARY TO STATEMENTS BY GOM OFFICIALS TO THE EFFECT THERE HAS BEEN A REFLOW. ALSO THE SIZEABLE INCREASE IN SHORT-TERM DEBT INDICATES THAT THE GOM WAS HAVING SOME DIFFICULTIES IN RAISING LONGER-TERM DEBT. LUCEY

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